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Challenges Facing Retail Adoption of Digital Signage

By Steven Keith Platt, Director and Research Fellow

The digital signage industry is poised for sustained growth (the economy notwithstanding), in verticals such as education, place-based advertising, and hospitality. Retail adoption, on the other hand, is slower than many had anticipated for a variety of reasons. We address some of those reasons here, as well as discuss how integrating digital signage into other emerging technologies will be critical to the industry's future.

Size estimates for the digital signage industry vary greatly. For example:

- MagnaGlobal estimates that the 2011 worldwide spend on digital place-based advertising is \$2.6 billion. Including cinema advertising, this increases to \$5.5 billion.
- PQ Media pegged the 2010 worldwide spend on digital place-based advertising (including cinema) at \$6.47 billion.
- ABI Research believes that spending in the global digital signage market (including displays, media players, software, and installation/maintenance costs) was \$1.3 billion in 2010. ABI also projects that spending in the global digital signage market, including hardware and software, will grow to \$4.5 billion by 2016.
- When viewed in its entirety (including advertising), IMS Research estimates that the digital signage industry represented nearly \$7 billion worldwide in 2010.
- MarketsandMarkets estimated the global digital signage market (including advertising), at \$3.95 billion in 2011.

Notwithstanding these varying forecasts of the size of the industry, estimates of retail adoption of digital signage have been widely overstated. One firm projected that between 2004 and 2011, retail adoption would grow by 49 percent annually. The same firm went further and predicted, "... 90 percent (of retailers) will have installed digital signage networks in their outlets by 2011." A simple hand tally of the leading North American retail networks illustrates that these projections are not realistic.

Retail implementation of digital signage lags behind that of many other industry segments for various reasons. Cost is a major impediment of course. But beyond the financial considerations, more fundamental issues continue to challenge retailers. These include a lack of understanding of how to leverage the medium, how to operate it within their stores, and how to

integrate digital signs into other emerging in-store technologies. More specifically, these include:

Lack of strategy: Few retailers understand what is and is not achievable with a digital signage network. This makes even a simple articulation of goals and objectives difficult. Related common mistakes include, among others, neglecting to define success and failure, poor consideration of brand positioning, and a lack of adequate testing and measurement.

Undefined management responsibilities: Running a network requires resources. Consideration as to who will run the network, provide content oversight, as well as oversee scheduling, in-store placement, and technology are among the issues confronting a management team.

Inability to integrate into other retail areas: Coordination among various activities in a retail setting is necessary to the success of a network. This includes visual merchandising, as well as marketing across platforms such as the Internet, mobile, and catalog, merchandising and IT. Getting these functions to work together is one issue; finding the staff to implement is another.

Lack of content planning: A common mistake among retailers is failing to develop a content plan and budget. For example, who will be producing content? How often will it be changed? Will ads be acceptable? If so, who will monitor them? Who will sell them, and for how much?

Inconsistent Ad Metrics: Measuring the effectiveness of retail digital signage advertising does not only fall into the familiar analyses of reach and frequency. According to industry expert Steve Nesbit, "I believe that one needs to approach analytics from two distinct angles. On the one hand, traditional metrics like reach, frequency, and awareness continue to be required. Therefore, traditional measurement techniques like audience observation, intercept interviews, surveys, etc., are needed. In addition, one needs to consider the measurement issue with a whole new set of tools specific to digital signage. These tools focus specifically on digital media and provide the capability to produce 'real time' data on a screen-by-screen, zone-by-zone and store-by-store basis. This actually allows for both 'optimization' as well as measurement."

Despite the general trend, some retailers are embracing the technology either out of recognition of its vast capabilities, or for simply pragmatic reasons. Says Nesbit, "I know there is a general slowdown due to the economy that has hit retail. But some retailers are actually viewing their digital in-store media projects as strategic initiatives that have to get done regardless of the state of the economy."

In the future, retailers will also require that digital signage messaging be seamlessly integrated into a multitude of consumer communication platforms. According to Rob Brazell, executive chairman of InStore Broadcasting Network, "If retailers do not honor the consumer demand for message integration and personalization, they will find themselves losing customers literally overnight." He continues that, "the overall experience that includes choice and personalization will dominate the landscape going forward."

As e-commerce and the use of mobile devices continue to grow, so do the implications for in-store shopping. Beyond ordering merchandise, many consumers conduct product research online and on their mobile devices. For example, by educating themselves on the Internet, 72 percent of consumers know which car they want to purchase and the price they would like to pay before entering a car showroom. Therefore, continuity of the online experience into the store offers potential buyers a seamless path to purchase.



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Message coordination and integration across platforms will be necessary to ensure consistent brand communication. Common storage and processing will be required to coordinate and stimulate customer performance across platforms to improve the customer experience, build loyalty, and increase sales.

While still relatively early in the adoption stage, in-store hand-held devices will become important for shopping and paying. It is a fact that customers who visit more areas of the store and those who shop in groups tend to purchase more. To encourage this behavior, digital signs and hand-held devices make a great team. Communicating messages from phone to screen, such as a product review while a group is considering a purchase, can impact social shopping and lead to more sales. Running advertising on digital signs with the ability to download information about a product's location, availability, features, and discount coupons can enable one-to-one personalized customer communication.

Customer self-service is another technology that will grow in importance. Digital signage messages delivered at the head of the queue of a self-serve checkout can thank customers for shopping the store, alert them to upcoming specials and promotions, and educate and entertain to reduce perceived wait-time. Interactive devices, both assisted and non-assisted, also have outstanding potential.

In summary, customer-facing technologies will continue to evolve and impact the retail customer shopping experience. To execute these platforms successfully requires a lot of planning and coordination at many levels. As these technologies continue to merge, an understanding of how to deliver relevant messages to influence consumer behavior is required to realize their potential. As our experience with these newer technologies increases, so will the resulting impact on the customer.



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